

**COMMONWEALTH OF MASSACHUSETTS**

**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

<b>Investigation by the Department of</b>	)	
<b>Telecommunications and Energy on its</b>	)	
<b>Own Motion into Standards for</b>	)	<b>D.T.E. 05-86</b>
<b>Arrearage Management Programs for</b>	)	
<b>Low-Income Customers, Pursuant to</b>	)	
<b>St. 2005, c. 140, § 17</b>	)	

**KEYSPAN ENERGY DELIVERY NEW ENGLAND  
CONSERVATION, PAYMENT ASSISTANCE, AND  
ARREARS MANAGEMENT PROGRAMS**

**I. Introduction**

By letter dated November 8, 2005, the Department of Telecommunications and Energy (the “Department”) directed KeySpan Energy Delivery New England (“KeySpan” or the “Company”)<sup>1</sup> to file by December 31, 2005, a copy of its arrearage management program. Specifically, the Department requested information on any policy implemented by the Company to assist consumers with mitigating arrearages. The information to be provided includes: (i) a description of the program, (ii) specific eligibility requirements, (iii) a description of any credits available to offset arrearages, (iv) whether the program is coordinated with low-income weatherization services, fuel assistance agencies or community action programs (“CAP”) or with any type of fuel assistance offered by the Company, (v) the number of customers participating in the program and (vi) a description of the effectiveness of the program. The Department also requested information on the Company’s budget billing plan.

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<sup>1</sup> The local distribution companies in Massachusetts that do business as KeySpan Energy Delivery New England are Boston Gas Company, Colonial Gas Company and Essex Gas Company.

Subsequently, on December 1, 2005, in compliance with the provisions of the recently enacted St. 2005, c. 140 § 17 (“Chapter 140”) the Department issued An Order Opening Investigation into Standards for Arrearage Management Programs for Low-Income Customers, D.T.E. 05-86. Chapter 140 requires that an arrearage management program permit eligible low-income customers to establish affordable payment plans and provide credits toward a customer’s accumulated arrearage when the customer complies with the terms of the program. Moreover, Chapter 140 requires that the Company offer low-income customers a payment plan of not less than four months, including an initial down payment of 25 percent of the balance, if utility service has not yet been terminated. After the down-payment, the remaining balance is to be divided into equal payments.

Finally, on December 12, 2005, the DTE issued a letter directing the Company to include in its filing an information dissemination plan that describes how information on cost saving-mechanisms to help lower monthly utility bills will be disseminated to customers.<sup>2</sup>

KeySpan currently offers its customers, including low-income customers, a number of ways to both manage and reduce their natural gas bills. These include: a comprehensive energy conservation program that includes a significant low-income component, budget billing, deferred payment arrangements (“DPA’s”), low-income discount rates, the On-Track program, and the Residential Assistance for Families in Transition (“RAFT”) program. The Company periodically informs its customers of the availability of these programs through bill inserts, bill messages, customer brochures and

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<sup>2</sup> Section 13 of Chapter 140 directs the Department to promulgate regulations that will require each electric and gas company to produce information on cost-saving mechanisms and to disseminate such information semi-annually.

other forms of media communications and will continue to do so at least semi-annually and in a format as may be required by the Department pursuant to its rulemaking authority under Chapter 140. Each of these programs is discussed in further detail below. In addition, KeySpan Corporation recently donated one million dollars to the Salvation Army and Good Neighbor Energy Fund of which three hundred thousand is specifically targeted for Massachusetts' customers in need of assistance during this winter season.

The Company looks forward to participating in docket D.T.E. 05-86 and will actively work with the Department and other interested parties to develop arrearage management standards for low-income customers and an information dissemination plan consistent with the requirements of Chapter 140

## **II. Energy Efficiency Programs**

Since, 1997, the Company has been recognized nationally as a leader in energy efficiency. The Company's objective with respect to energy efficiency is to encourage the most efficient use of energy, especially natural gas wherever practical. With regard to its residential low-income energy efficiency program, eligible customers are allowed to receive up to \$4,500 in qualifying measures. Eligible measures include an energy audit, attic insulation, wall insulation, air sealing, heating system repair/replacement (on a qualifying basis), and general heat waste measures. To maximize the services provided, wherever possible program funds are leveraged with U.S. Department of Energy weatherization funds. Massachusetts CAP agencies are responsible for ensuring that customers meet the eligibility requirements for program participation and for providing the actual weatherization services to customers. Customers can qualify for this program in one of two ways, by being eligible for Massachusetts Fuel Assistance, Welfare or

Social Security Income Disability programs, or by providing evidence of household income that is 60% or less of the Massachusetts median income level.

Since the program began, the Company has served more than 18,500 low-income customers. A complete copy of the Company's Energy Efficiency Plan that was filed with the Department on April 1, 2005 is attached as appendix A.

### **III. Budget Billing**

KeySpan's budget billing plan is available to all customers. The objective of the plan is to provide customers with the option of levelizing their payments to the Company over a twelve month period thereby mitigating the hardship that can be associated with high monthly bills during the cold winter months.

Customers can enroll in the plan in a number of ways. First, each customer bill contains a bill message with the budget billing amount noted such that if the customer pays that amount rather than the actual billed amount due for that month, the customer will be automatically enrolled in the budget billing plan. Second, customers can enroll by calling the KeySpan customer service number located on the bill. Finally, customers can enroll through the KeySpan internet website or via the automated telephone system. As of November 30, 2005, approximately one hundred thirty two thousand KeySpan customers were enrolled in the Budget Billing Plan.

### **IV. Deferred Payment Arrangements**

Consistent with the provisions of 220 CMR. 25.02 (6) and 220 CMR 25.01 (2) the Company offers all customers, with an accumulated arrearage, whose service has not been terminated, the opportunity to enter into a DPA. DPAs are individually negotiated

based on the circumstances of each case. The minimum period for a DPA is four months and the customer is expected to pay all current charges in addition to the DPA amount.

To date, the down payment amount associated with a DPA has been subject to the customer's ability and willingness to pay, and ranges anywhere from 10% to 50%. In compliance with Chapter 140, the Company will establish 25% of the past due amount as the down payment for low-income customers.

## **V. Low Income Discount Rates**

The Company has a low-income discount rate program. Discounted rates are available to residential customers based upon verification of a customer's receipt of any means-tested public benefit program or verification of eligibility for the low-income home energy assistance program or its successor program. Eligibility for the low-income home energy assistance program shall not exceed the percentage of the federal poverty level, as set by applicable Department rule or order, based on a household's gross income or other criteria approved by the Department. The discount is deducted from the base rate portion of a customer's bill and ranges from 24% to 40%.<sup>3</sup>

The Company and the Executive Office of Health and Human Services ("EOHHS") have implemented a computer matching program whereby customer information is shared with EOHHS and customers receiving public benefits through EOHHS are automatically enrolled in the discount rate program without needing to make separate application to KeySpan. KeySpan estimates that this computer matching program will increase enrollment in the low-income discount rate program by

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<sup>3</sup> The level of discount was set in each of the LDC's last base rate proceedings and is as follows: 40% for Boston Gas, 28 % for Colonial-Lowell non-heat, 39% for Colonial-Lowell heat, 26% for Colonial-Cape non-heating, 38% for Colonial-Cape heating, 37% for Essex residential heat and 24% for Essex residential non-heat.

approximately 5,600 customers.<sup>4</sup> In addition, the Company maintains close communication with the CAP agencies such that eligible customers can be appropriately enrolled on the state fuel assistance program, the good neighbor energy fund and other available means tested assistance programs and thereby become eligible for the Company's discount rate. As of August 1, 2005, thirty one thousand nine hundred seventy (31,970) KeySpan customers were benefiting from the low-income discount rate program.

## **VI. On Track**

The On-track program is designed to educate consumers on efficient energy use and to encourage timely, regular bill payment through behavior modification techniques that include financial and energy management education, consistent customer representative support, and social service referrals. The On-track program was approved by the Department in Boston Gas Company, D.T.E. 03-40 at 511. Consistent with the Company's proposal and rate plan approved in that case, the Company does not currently recover any costs, including arrears forgiveness, associated with the On-Track Program in rates. The program is not currently available to Colonial or Essex customers. However, subject to an appropriate ratemaking order to be determined in this docket, the Company is willing to consider expanding the availability of the program for the benefit of all Massachusetts customers.

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<sup>4</sup> It should be noted that in Low-income discount rate participation, D.T.E. 01-106-A at 13, the Department recognized that distribution companies may incur a decrease in revenues from increased enrollment in discount rates. Subsequently, in dockets D.T.E. 01-106-B and D.T.E. 106-C, the Department established a reconciling mechanism to allow distribution companies the opportunity to recover those shortfalls. KeySpan expects that, should the standards for arrears management programs to be promulgated in docket D.T.E. 05-86 result in increase costs or revenue shortfalls to the Company, that it will be given a similar cost recovery opportunity.

To be eligible for the On-Track program, a customer must meet the following requirements: (i) Household gross income must be under 250% of the Federal Poverty Level (FPL); (ii) The account holder must be primarily responsible for payment of the gas bill; (iii) the account must be for heating in a one or two-family home; (iv) the customer may not be receiving any public assistance that covers their gas costs; and the customer must be determined financially capable of making a minimum balanced billing payment, in addition to their current bills. Arrears forgiveness is provided if the terms of a DPA are kept, Customers are granted allowances up to a maximum amount of \$400. The allowances are applied four times over the course of the program in the amount of \$100 each. Customers who are late enrolling in the program will be eligible for allowances based on their payment activity and the duration of their participation.

Program effectiveness is evaluated based on a number of objective factors including: arrears reduction of enrolled customer account balances, program adherence and compliance with DPA, number of customers payments, number of active DPAs, number of active balance billing enrollment and total dollar amount of allowances granted. The Company also conducts a survey at the end of the 18 month program with each customer to determine if the customer has benefited from the educational/behavioral change aspect of the program. Maximum enrollment for the program is 350 customers.

## **VII. RAFT (Residential Assistance for Families in Transition)**

The RAFT Program is a homeless prevention initiative that allows low-income families to access flexible funds to help them stay housed and pay utility bills. The maximum grant is \$3000 per family. Under the program, the Massachusetts Department of Housing and Community Development through a network of regional nonprofit

housing agencies will fund 50% of the balance due on an eligible customer's account.

KeySpan will grant an allowance of an additional 25% as arrears forgiveness so long as the customer agrees to a DPA for the remaining 25% along with enrollment in the Balance Billing Program for current bills.

The following eligibility requirements apply to the RAFT program: (i) A family is defined as two or more people living together, one of whom is a dependent child under the age of 21, or two or more people living together, one of whom is disabled, or a single pregnant head of household; (ii) Families should be paying 50% or less their income towards housing; Families must be at or below 50% of the area median income as defined by the Federal Department of Housing and Urban Development; and (iii) Families paying more than 50% of their incomes must demonstrate that Raft funds will enable them to maintain their existing housing or obtain new housing and; Families in both subsidized and unsubsidized units will be considered, as well as families who own their homes.

Because this program was implemented in October 2005, sufficient data has not yet been accumulated to evaluate its effectiveness.

Currently, a total of 64 KeySpan customers are enrolled in this program.



## **VIII. Conclusion**

The Company appreciates this opportunity to discuss the various programs available to KeySpan' customers to assist them in conserving energy, managing bills and receiving financial assistance to which they are entitled by law or regulation. KeySpan looks forward to fully participating in the Department's investigation of the appropriate standards for arrearage management programs for gas and electric companies.

Respectfully Submitted,

**KeySpan Energy Delivery New England**

By its Attorney,

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Dated: December 30, 2005